Supreme Court, U. S.
FILED
FEB 13 1979
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1978

No. 78-886

WESLEY-JESSEN INC., AN ILLINOIS CORPORATION AND DR. NEWTON K. WESLEY,

Petitioners,

vs.

MARCELLO CHIQUIAR ARIAS,

Respondent.

REPLY BRIEF OF PETITIONERS IN CONNECTION WITH PETITION FOR WRIT OF CERTIORARI TO THE UNTED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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IN THE
SUPREME COURT OF THE
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DISCUSSION

The question presented by the Petitioners to this Court is whether "one Circuit of the United States Court of Appeals [can] render a decision denying a litigant the right to appeal an order staying proceedings before the United States District Court pending arbitration where such decision is in direct conflict with the Enelow-Ettelson Rule established by the Supreme Court of the United States and decisions rendered by other circuits of the United States Courts of Appeal and the Supreme Court of the United States." (Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, p.4).

The Order of the United States Court of Appeals for the Seventh Circuit dismissing the Petitioners' appeal of

the United States District Court Order staying the suit pending arbitration provided in part the following:

> "IT IS ORDERED that this appeal is hereby DISMISSED because it is not taken from a final order. Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955); Zell v. Jacoby-Bender, Inc., 542 F.2d 34 (7th Cir. 1976)." (Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit, p. A7).

Of course, any appeal from a "final order" is pursuant to 28 U.S.C. §1291 whereas an appeal under the Enelow-Ettelson Rule is pursuant to 28 U.S.C. §1292(a)(1). Enelow v. New York Life Insurance Co., 293 U.S. 379 (1934); Ettelson v. Metropolitan Life Insurance Co., 317 U.S. 188 (1942).

Baltimore Contractors, Inc. v. Bodinger, 348 U.S. 176 (1955) held that the denial of a stay order pending arbitration in an equitable action for an accounting was not appealable since the action suspended by the Order was not at law. The Court in Zell v. Jacoby-Bender, Inc., 542

F.2d 34 (7th Cir. 1976), dissected the plaintiff's Complaint and concluded that the plaintiff's action was in reality an action cognizable at law for breach of contract in spite of the action being styled for accounting. Therefore, the plaintiff's action was deemed to be at law for damages and appealable as an interlocutory injunction under 28 U.S.C. §1292 (a)(1) and Enelow-Ettelson.

It is well established that an order granting or denying a stay of proceedings in a District Court pending arbitration has been held to be tantamount to the granting or denial of an injunction and is, therefore, appealable under §1292(a)(1) if the following two-pronged test is satisfied:

1. The action in which the order was made is an action which before the fusion of law and equity was by its nature an action at law.

2. The stay was sought to

permit the prior determination of some equitable defense. This rule was established by this Honorable Court in Enelow, Ettelson and their successors and endorsed, inter-alia, by the Second, Fifth, Seventh and Ninth United States Courts of Appeals. (See Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, pgs. 16 and 17).

Respondent does not dispute that the appeal from the District Court to the United States Court of Appeals for the Seventh Circuit was in fact under 28 U.S.C. §1292(a)(1) and not under 28 U.S.C. §1291. This error by itself places the subject Order in direct conflict with the Enelow-Ettelson Rule, its successors, and decisions from other United States Courts of Appeals (See Petition for Writ of Certiorari To The United States Court of Appeals for The Seventh Circuit, pgs. 29-36).

Respondent also does not dispute that the Enelow-Ettelson Rule and its successors render an order staying a law action pending the outcome of an equitable defense appealable as an "injunction" under 28 U.S.C. §1292(a)(1). (Respondent's Brief Opposing Petition For Writ of Certiorari, p. 4). Respondent also does not dispute that the interposition of an arbitration agreement is itself an equitable defense. American Safety Equipment v. J. P. McGuire Company, Inc., 391 F.2d 821 (2d Cir. 1968); Shanferoke Coal & Supply Corp. of Delaware v. Westchester Service Corp., 293 U.S. 449 (1935) (Petition For Writ of Certiorari To The United States Court of Appeals For The Seventh Circuit, p. 24).

The propriety of the District Court Order is not ripe for presentation to this Court and, therefore, Respondent's

arguments and authority on that issue are irrelevant and immaterial as to the issue of appealability.

The Respondent attempts to defend the subject Order of the United States Court of Appeals by arguing that an equitable action was stayed and not a law action. Respondent fails to identify the particular allegations or request for relief contained in Petitioners' Complaint for declaratory judgment which support the Respondent's questionable conclusion. The Respondent's erroneous conclusion is not supported in the Appendix or by any reference to the record. He does make the following statements in his Respondent's Brief Opposing Petition For Writ of Certiorari to show that Petitioners' Complaint for declaratory judgment is in equity and not at law:

"The effect of an adjudication in favor of Petitioners would be to require Respondent to specifically perform what Petitioners allege to be the obligations of Respondent under said agreement of March 24, 1960." (Respondent's Brief Opposing Petition For Writ of Certiorari, pgs. 1 and 2).

"The action brought by Petitioners lies in equity. It requests the court to enforce the contract between the parties." (Respondent's Brief Opposing Petition For Writ of Certiorari, p.5).

Petitioners respectfully submit that the Respondent's characterization of Petitioners' Complaint for declaratory judgment is incorrect, unwarranted, and unsound. The Petitioners have set forth their Complaint for declaratory judgment as Appendix A1 to A12 and invite the Court to carefully review the allegations and prayer for

relief. Such examination of complaints to determine whether the action is at law or in equity is basic to the Enelow-Ettelson Rule and is especially required with complaints for declaratory judgment. See American Safety Equipment, supra; Hudson Lumber Company v. United States Plywood Corporation, 181 F.2d 929 (9th Cir. 1950); Zell, supra.

Petitioners' Complaint is totally devoid of any allegations warranting equitable relief and the Complaint does not request the Court to render any equitable relief. The Complaint does not ask for specific performance and does not ask the Court to order the Respondent to do or not to do something in the future.

The Complaint in essence requests the Court to declare that the Respondent has no right to receive money and royalties from the Petitioners. The Complaint was filed subsequent to money demands

made by the Respondent to the Petitioners. This renders the Complaint one at law.

If the Complaint were in equity, it would necessarily include the allegation that there exists no adequate remedy at law and a request for the performance of some affirmative act by the Respondent to fulfill the obligations of the Agreement.

Since the Complaint is at law, the appeal was proper under Enelow-Ettelson and should not have been dismissed.

The criteria of Enelow-Ettelson have been satisfied and, therefore, the subject Order of the United States District Court is appealable to the United States Court of Appeals. The dismissal of the appeal is contrary to four (4) well respected decisions of this Court and at least eleven (11) decisions of the Courts of Appeals.

This Court has the obligation and duty to safeguard the right to appeal and to make such right uniformly available throughout our country. The right to appeal under the subject circumstance is well established and should be respected by all courts.

CONCLUSION

The Supreme Court of the United States with its supervisory power has the obligation to resolve conflicts of opinion on federal practice and procedure and has the obligation to bring about uniformity and thereby avoid controversy and confusion.

Our courts are faced with agreements containing arbitration clauses more frequently now and this will increase in the future. Therefore, it is of the utmost importance that the lower courts have a uniform position and that confusion and controversy be eliminated in this important area.

The Petitioners' Complaint for declaratory judgment is at law. The Respondent has failed to prove in any manner whatsoever his conclusory argument that said Complaint is in equity. Since the underlying action is at law, the appeal of the District Court Order to the Court of Appeals was proper under the Enelow-Ettelson Rule, decisions of many Courts of Appeals and 28 U.S.C. §1292(a)(1).

The Court of Appeals' Order is in direct conflict with the decisions of this Court and decisions from Courts of Appeals in that the Court of Appeals should have considered the appeal as being prosecuted under 28 U.S.C. §1292 (a)(1) and not under 28 U.S.C. § 1291. The Enelow-Ettelson Rule and the decisions from the Courts of Appeals on this issue mandate that an appeal from an order staying a lawsuit pending arbi-

tration be considered to be under 28 U.S.C. §1292(a)(1) and not under 28 U.S.C. §1291.

In addition, the subject Order of the Court of Appeals is in direct conflict with the Enelow-Ettelson Rule and decisions from the Courts of Appeals in that the appeal was dismissed even though a law action was stayed pending arbitration.

The Petitioners respectfully request that the Petition for Writ of Certiorari to the Court of Appeals for the Seventh Circuit be granted so as to bring about uniformity on federal

practice and procedure within the federal judiciary and thereby avoid differing results on the same issues.

Respectfully submitted,

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, Plaintiffs,	)	
vs.	)	No. 76 C 3012
MARCELO CHIQUIAR ARIAS, Defendant.	)	

COMPLAINT FOR DECLARATORY JUDGMENT

NOW COME the Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY, by and through their attorneys IRWIN PANTER and THOMAS I. MATYAS and complaining of the Defendant, MARCELO CHIQUIAR ARIAS, hereby set forth their Complaint For Declaratory Judgment and allege as follows:

COUNT I

1. The Plaintiff WESLEY-JESSEN INC. is a business corporation organized and existing under and pursuant to the laws of the State of Illinois and has its principal place of business in the City

of Chicago and State of Illinois. Said corporation was previously known as THE PLASTIC CONTACT LENS COMPANY with the change in name taking place on or about February 17, 1971 (WESLEY-JESSEN INC. and THE PLASTIC CONTACT LENS COMPANY shall be hereinafter referred to collectively as the CORPORATION).

2. The Plaintiff DR. NEWTON K. WESLEY is a resident of and is domiciled in the State of Illinois (The Plaintiff DR. NEWTON K. WESLEY shall be hereinafter referred to as WESLEY).

3. The Defendant, MARCELO CHIQUIAR ARIAS, is a citizen of the Republic of Mexico and is domiciled in Mexico City, Mexico.

4. The Plaintiffs invoke this Court's jurisdiction pursuant to Title 28 USC Section 1332. The matter in controversy between the respective parties hereto exceeds, exclusive of interest

and costs, the sum of $10,000.00.

5. The Plaintiff corporation is now and has at all times relevant hereto, and in fact for many years on a continuous basis, been engaged in the development and manufacture, licensing and sales of contact lenses.

6. On or about March 24, 1960, a certain agreement was entered into by the respective parties hereto whereby the Defendant agreed, inter alia, to transmit to the corporation or to Wesley all experience, information, knowledge, skill and know-how (these terms will hereafter be referred to collectively as "information") which the Defendant may possess in regard to the changes and/or improvements of the design, manufacture and fitting of contact lenses. Further, said agreement grants unto the Plaintiffs, inter alia, the sole and exclusive rights to deal with any and all the information

provided to them by the Defendant. A true and accurate copy of said agreement is attached hereto and marked as Exhibit "A" and expressly made a part hereof.

7. The right, title and interest of the Plaintiff Wesley in and to the aforementioned agreement was assigned on or about November 3, 1960 to the Plastic Contact Lens Company. Said company is now known as Wesley Jessen Inc. as detailed hereinabove. True and accurate copies of said assignment and of a notice of assignment are attached hereto and marked as Exhibits "B" and "C" respectively and expressly made a part hereof.

8. The Plaintiffs, and each of them, have at all times fulfilled all of the duties and obligations imposed on each of them by the terms and provisions of said agreement.

9. The Defendant has claimed and

asserted that he has made available to the Plaintiffs information in regard to the development,manufacture and fitting of contact lenses.

10. The Defendant has claimed individually, and by and through his present attorneys, namely Alan D. Mockabee of the law firm of Beehler, Mockabee, Arant, Jagger & Bachand, that the information the Defendant claims to have made available to the Plaintiffs was unique, original and not within the realm of public knowledge and that initially the Plaintiffs encouraged him to perfect and protect by patent his information and thereafter dissuaded him from further prosecuting any application for patents in the United States because the Plaintiffs advised him that they would not make contact lenses of the type allegedly developed by the Defendant. It is further claimed by the Defendant and

his counsel that the Plaintiffs subsequently proceeded to perfect, patent and utilize the Defendant's information in and about the manufacture and fitting of contact lenses and that, therefore, Defendant is entitled to monies and royalties from Plaintiffs.

11. It is the position of the Plaintiffs that any and all information made available by the Defendants to the Plaintiffs was within the obligations and duties imposed upon the Defendant by the aforementioned agreement and that if Defendant had failed to so do, he would have violated said agreement.

12. That there exists an actual and bona fide controversy between the Plaintiffs and the Defendant as to their legal relations in respect to the aforesaid agreement, the rights and obligations of the respective parties under said agreement, the right of the Plaintiff

corporation to manufacture, use, license and sell the Plaintiff Corporation's contact lenses without interference from the Defendant and as to Defendant's claim for monies and royalties in connection with his alleged disclosures to the Plaintiffs. The above enumerated controversy can be determined only by means of a declaratory judgment from this Honorable Court.

WHEREFORE, Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY pray for a declaratory judgment as follows:

A. Declaring that a valid and enforceable contract exists between the Plaintiffs and the Defendant by reason of the agreement entered into on March 24, 1960.

B. Declaring the rights and other legal relations of the Plaintiffs and the Defendant by reason of the aforementioned agreement.

C. Declaring that any and all claimed disclosures were within the obligations imposed on the Defendant by the aforementioned agreement.

D. Declaring that the Defendant has no right, title or interest in and to any of the claimed disclosures.

E. Declaring that the Defendant is not entitled to any monies or royalties in connection with any of the claimed disclosures.

F. Declaring that the Defendant does not have any right, title or interest in and to any of the Plaintiffs' products or patents.

G. For such other and further relief as the Court may deem just and appropriate, together with Plaintiffs' costs.

COUNT II

1-5. Plaintiffs hereby reallege and restate Paragraphs 1 through 5

inclusive of Count I hereof as Paragraphs 1 through 5 of this Count II as if each and every allegation therein were fully set forth herein.

6. The Defendant claims to have made available to the Plaintiffs information in regard to the development, manufacture and fitting of contact lenses.

7. Plaintiffs hereby reallege and restate Paragraph 10 of Count I hereof as Paragraph 7 of this Count II as if each and every allegation therein were fully set forth herein.

8. It is the position of the Plaintiffs that the information claimed to have been provided by the Defendant to the Plaintiffs was not original or unique and it was in fact within the realm of public knowledge at the time that the alleged disclosures are claimed to have been made. Further, the Plaintiffs contend that the disclosures claimed by

the Defendant do not include ideas that were at any time or are at present feasible of being reduced to marketable contact lenses, and further did not and have not disclosed any patentable invention over what was known to the art at the time the alleged disclosures were purported to have been made. Furthermore, the Plaintiffs contend that the information claimed by the Defendant to have been provided to the Plaintiffs was not, has not and is not at present patented by the Plaintiffs and has never been and is not at present included in whole or in part in any patent owned by the Plaintiffs. Plaintiffs further contend that such allegedly disclosed information was never and is not at present utilized in any manner whatsoever by the Plaintiffs in and about the manufacture, designing and fitting of contact lenses, and that, therefore, the Defendant is not entitled

to any monies or royalties from the Plaintiffs.

9. There exists an actual and bona fide controversy between the Plaintiffs and Defendant as to the right of the Plaintiff Corporation to manufacture, use, license and sell the Plaintiff Corporation's contact lenses without interference from the Defendant and as to the Defendant's claim for monies and royalties in connection with his alleged disclosures to the Plaintiffs. The above enumerated controversy can be determined only by a declaratory judgment from this Honorable Court.

WHEREFORE, Plaintiffs WESLEY-JESSEN INC., an Illinois corporation, and DR. NEWTON K. WESLEY pray for declaratory judgment as follows:

A. Declaring that the Defendant is not entitled to any monies or royalties in connection with any disclosures made

by the Defendant to the Plaintiffs.

B. Declaring that the Defendant does not have any right, title or interest in and to any of the Plaintiffs' products or patents.

C. For such other and further relief as the Court may deem to be just and proper in addition to the cost of this suit.

WESLEY-JESSEN INC., an
Illinois corporation,
and DR. NEWTON K. WESLEY

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(Exhibits "A", "B" and "C" are not included in this Appendix)